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HEADLINE: APPLE'S ASSAULT

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HIGHLIGHT:

CEO Spindler has lots of new products. He'll need them

BODY:

Since Apple Computer Inc. nearly ran itself into a ditch two years ago, its future has been in question. With Microsoft Windows becoming increasingly dominant and Apple's market share slipping, rumors surfaced that the company would be sold -- to IBM, Motorola, AT&T, Oracle, Canon, or a Japanese consortium. You name it. 'This company is not for sale,' says Chief Executive Michael Spindler. 'I can't comment on rumors that people invent. But some of them are just nuts!'

Not only is Apple not takeover bait, says Spindler, the world's No.2 PC maker has 'its house in order' and is in tip-top fighting shape. This summer, Apple will let loose a fusillade of new Macintoshes and PowerBooks, beefed up with the speedy PowerPC chip and starting at about \$ 1,600 -- 12% cheaper than today's cheapest Power Macintoshes. It has reorganized to zero in on its traditional strength in the home, education, small-business, and entertainment markets. The Windows version of Apple's eWorld arrives this fall, boosting its presence in the online world. And after idling on the side of the road for a year, Apple is nosing back onto the Information Superhighway with orders for 5,000 TV set-top boxes. Vows Spindler: 'You will see a very aggressive Apple.'

That's critical, since Apple still faces an uphill fight to regain worldwide market share, which dipped to 8.3% last year from 9.4% in 1993. If the share continues heading south, even the most loyal developers of Mac software could start looking for bigger markets, and Spindler's turnaround could languish.

Spindler says he'll have all the snappy, low cost products he needs. And he has authorized for this fall the biggest advertising blitz in the company's history to win over new customers, particularly in the fast-growing home-PC segment. Apple executives aren't talking numbers, but the record to beat is the \$ 100 million that analysts say Apple spent during last year's Christmas blitz. 'MAJOR BATTLE.' Apple also is getting back into the trenches to try to fight back in the corporate market. It's hiring and transferring employees from other departments to form a core group that will descend on customers in key markets. These so-called 'customer solution' commandos will combine Apple's technology with products from other companies to solve buyers' needs, such as videoconferencing, sales-force automation, and publishing systems. Says Daniel L. Eilers, senior vice-president for worldwide customer solutions: 'There is a major battle brewing.'

Apple's real battle will commence on Aug. 24 -- when Microsoft Corp. is scheduled to ship Windows 95. A major update of the Microsoft operating system, Win 95 will give IBM-compatible PCs all sorts of new, whiz-zy capabilities -- including many of the Mac's 'ease of use' features. Not only is Microsoft poised to spend an estimated \$ 125 million promoting the product this fall, scores of computer and software makers will be joining the Win 95 bandwagon. Analysts predict it will be an instant hit: 29 million copies in just four months. NEW GENERATION. The wake will rock Apple's boat and could scuttle its plan to retake market share. Test copies of Win 95 now in the hands of some 400,000 customers show that the program still falls short of the Mac in areas such as 'plug and play' (which makes it possible to add new hardware without reprogramming). But Win 95's elegant, new look is closing the gap. Says Windows promoter Gordon F. Eubanks, CEO of software maker Symantec Corp.: 'I don't think Apple goes away. But it's hard to see this as good news for Apple.'

The reaction around Apple's Cupertino (Calif.) headquarters is predictably cocky. Employees have a new slogan: 'Win 95 is Mac '89.' And when they want to get serious, they show off Mac 96 -- the next-generation Macintosh operating system called Copland. Due in mid-1996 at the earliest, Copland features a heavy dose of agent technology -- software programs that automatically perform tasks for you, such as sorting E-mail or making travel arrangements.

Until Copland arrives, however, Apple will be fighting with conventional weapons -- powerful new models, lower prices, and lots of ads. The first wave, say Apple insiders, will begin June 19 with a second-generation Power Mac that uses the now-industry-standard PCI bus for connecting major subsystems within the Mac. This new model will use the 604 PowerPC chip, giving it about twice the oomph of today's Power Macs. In July and August, there will be four more Power Macs and two PowerPC-based Performas, boosting Apple's line-up for the home.

New portables will hit Aug. 28 when Apple brings out the first PowerPC-based PowerBooks, priced from \$ 2,000 to \$ 3,500. These will weigh less yet have a bigger screen than today's PowerBooks. Apple executives are particularly enthusiastic about the new PowerBooks: Their research indicates that 10% to 15% of PowerBook buyers own Windows machines, and they figure the PowerPC models could attract more converts. Says Eilers: 'We are perfectly positioned for the best [December] quarter in the company's history.' The old record: profits of \$ 188 million on sales of \$ 2.8 billion, set last year. TOUGH SELL. Chief Financial Officer Joseph A. Graziano is also predicting big things. He figures the company can boost its market share one percentage point this year -- even in the face of Win 95. Analyst Bruce Lupatkin of Hambrecht & Quist Inc. is forecasting 1995 fiscal year net income of \$ 530 million on a 23% jump in revenue, to \$ 11.3 billion. That's up 70% over last year's lackluster showing of \$ 310 million. The stock is around 42, up from the mid-30s late last year. Says Lupatkin: 'Apple is doing real well. And Apple management is feeling very good right now. But that doesn't diminish the long-term threats.'

The biggest among them remains loss of market share. That's where the clone strategy comes in. So far, only startup Power Computing Corp. sells mainstream Mac clones. It says it will sell 100,000 machines in the next 12 months. By summer, Pioneer and others will join the Apple-cloner ranks. This winter, consumer-electronics maker Bandai is expected to launch Pippin, a \$ 500 multimedia player that plugs into the TV and runs existing Mac CD-ROM titles. Pippin first will be sold in Japan. If it clicks, it will hit the U.S. in the first half of 1996. Rick Shriner, an Apple vice-president, predicts that

500,000 to 1 million Pippins will be sold next year.

Shriner heads Apple's new Interactive Media Group, charged with moving Mac technology into emerging markets -- thus giving software developers greater incentive to stick with the Mac. So far, his team is getting into interactive TV with \$ 750 Apple set-top boxes adopted for trials in Britain, Belgium, Sweden, Norway, and Germany. Apple says the boxes won't add much to the bottom line but will extend the Mac's reach.

Are software developers getting the message? It's far too early to tell, but there is anecdotal evidence that Apple is at least holding its own. While Microsoft is pushing Win 95 as a game platform, for instance, Apple is attracting new game developers, too. ID Software, the maker of top-selling Doom; Lucas Arts, the company behind the popular Rebel Assault; and Virgin Interactive, which sells the hit 7th Guest, are converts. They say they were won over by Apple's licensing program and multimedia lead -- Apple was the No.1 seller of multimedia PCs last year, according to Dataquest Inc.

Mac may still be a tough sell to hard-core Windows developers focused on productivity programs -- the bulk of today's market. Says J. Paul Grayson, CEO of Micrografx Inc., which has no plans for Mac versions of its Windows graphics programs: ''I have serious doubts about Mac. It may have peaked.'' Such remarks drive home Apple's challenge. While Spindler may have put the company in tip-top shape, he still has to win the fight.

GRAPHIC: Illustration: Graph: Apple: Bruises and All GRAPHICS BY ALAN BASEDEN

; Photograph: UPHILL FIGHT Software developers could abandon Apple if Spindler can't deliver new products that will boost market share ROBERT HOLMGREN

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